

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 ICAE-00 L-03
H-01 AID-05 CIAE-00 COME-00 EB-08 FRB-03 INR-10
NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04
SIL-01 OMB-01 SS-15 STR-07 CEA-01 AGRE-00 /081 W
-----085832 121940Z /46
O 121844Z MAY 78
FM AMEMBASSY PANAMA
TO SECSTATE WASHDC IMMEDIATE 6974

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E.O. 11652: N/A
TAGS: EINV, PN
SUBJECT: EXPROPRIATION - CITRICOS DE CHIRIQUI, S.A.

REF: 1. PANOS/WAGNER TELCON 5/10/78, 2. PANAMA 3045,
3. PANAMA 8510 (11/29/77)

SUMMARY: APPARENTLY GOP/CITRICOS NEGOTIATIONS DEADLOCKED.
GOP INSISTED ON DOLS 2.47 MILLION FINAL SETTLEMENT WHILE
CITRICOS STILL WANTED DOLS 5.8 MILLION, BASED ON PREVIOUS
GOP CALCULATIONS. CITRICOS COUNSELOR NORMANDEAU MAIN-
TAINED MIN ECON PLANNING BARLETTA'S INFLEXIBILITY AND EGO
MAIN PROBLEMS. A PANAMANIAN LAND EXPERT, CURRENTLY VP
CHASE MANHATTAN, MAY CONDUCT FURTHER APPRAISAL, PENDING
GOP/CITRICOS AGREEMENT ON HIS METHODOLOGY. NORMANDEAU
INDICATED THEY WOULD INFORM GOP OF CITRICOS' FINAL OFFER,
AFTER CONFERRING WITH CITRICOS OWNER, LUDWIG IN NEW YORK.
NORMANDEAU ALSO MENTIONED CITIRCOS WILL PURUSE MATTER
AT THE HIGHEST LEVEL IN WASHINGTON. NORMANDEAU WAS URGED
TO SEEK GOP ACCEPTANCE OF FINDINGS BY CHASE-MANHATTAN
LAND EXPERT AS ONLY PRACTICAL SOLUTION TO PRESENT GOP/
CITRICOS IMPASSE. MESSRS. NORMANDEAU AND ALLEGUE DE-
PARTED MORNING MAY 12. END SUMMARY.

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1. AS SCHEDULED (REF 2), CITRICOS COUNSELORS ANDREW
NORMANDEAU AND JAMES V. STANTON, AND LUDWIG'S REP
FRANCISCO ALLEGUE, ASST. CONTROLLER, NATIONAL BULK
CARRIERS, INC., NEW YORK CITY (REF 3), MET WITH MIN
ECON PLANNING BARLETTA, HIS DEPUTY, GUSTAVO GONZALEZ,
AND OTHER GOP OFFICIALS MAY 9.

2. MESSRS. NORMANDEAU AND ALLEGUE CALLED ON MORNING MAY 10 AND LATE MAY 11. FOLLOWING NORMANDEAU'S REPORT:

3. BARLETTA INSISTED ON DOLS 2.47 MILLION FINAL SETTLEMENT, BROKEN DOWN AS FOLLOWS: LAND: .058; BUILDINGS: L.36; PLANT MACHINES AND EQUIPMENT: 0.47; ROAD CONSTRUCTION: 0.86; MINUS ORGANE TREES: 0.80. HIS JUSTIFICATION FOR NOT AGREEING TO CITRICOS' DEMAND OF DOLS 5.8 MILLION (REF 3) WAS THAT CITRICOS WAS NO RPT NO LONGER "A GOING CONCERN" AND THAT ABOVE CALCULATION BASED ON "SALVAGE VALUE" AS FAR AS GOP WAS CONCERNED. GONZALEZ CONFIDED THAT BARLETTA COULD NOT OFFER MORE, BECAUSE HE WAS "ALREADY ON RECORD" WITH NATIONAL LEGISLATIVE COUNCIL FOR THE DOLS 2.47 MILLION SETTLEMENT FIGURE.

4. NORMANDEAU DIFFERED WITH BARLETTA. HE MAINTAINED THAT CITRICOS WAS STILL MAKING MONEY. CITRICOS STILL DEMANDED DOLS 5.8 MILLION (REF 3), BASED ON INITIAL ASSESSMENT OF DOLS 3.8 MILLION BY MINISTRY AGRICULTURE AND LIVESTOCK (MIDA) EARLY 1975 AND INCREASE OF DOLS 2 MILLION, FOLLOWING A REVISED APPRAISAL BY VICE PRESIDENT GERARDO GONZALEZ IN JULY 1975, UPON INSTRUCTIONS FROM CHIEF OF GOVERNMENT, GENERAL OMAR TORRIJOS.

5. NORMANDEAU BROUGHT TO BARLETTA'S ATTENTION THAT AT LIMITED OFFICIAL USE

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CITRICOS' REQUEST EARLY 1974, AGRICULTURAL EXPERT, ROLANDO QUEVAS, PRIVATELY APPRAISED CITRICOS ASSETS AT DOLS 7.5 MILLION. THIS APPRAISAL WAS IN CONNECTION WITH CITRICOS' SPLITTING FROM ITS CANADIAN PARTNER. BARLETTA FURIOUS BECAUSE QUIVAS' APPRAISAL HAD BEEN UNKNOWN TO HIM AND WANTED HIM FIRED.

6. AS BARLETTA DEPARTED FOR BRIEF TRIP TO WASHINGTON NOON MAY 10, STANTON FOLLOWED HIM HOPING TO PURSUE TALKS. STANTON REPORTED FROM WASHINGTON EARLY MAY 11 THAT BARLETTA WAS NOT AVAILABLE BECAUSE OF OTHER PRESSING OFFICIAL COMMITMENTS THERE.

7. MEANWHILE, GUSTAVO GONZALEZ ARRANGED FOR MESSRS. NORMANDEAU AND ALLEGUE TO MEET WITH VICE PRESIDENT CHASE MANHATTAN, OLEGARIO BARRELIER, MORNING MAY 11. BARRELIER CONSIDERED EXPERT IN LAND ASSESSMENT AND HANDLED BANK LOANS. (BARRELIER TEXAS A&M UNIVERSITY GRADUATE. BOTH HE AND GONZALEZ HAVE BEEN RECIPIENTS OF US-AID SCHOLARSHIPS IN AGRICULTURE. LATTER SERVED EARLY 70'S AS VICE MIN UNDER THEN MIN MIDA GERARDO GONZALEZ.) BARRELIER HIGHLY REGARDED BY MINISTRY ECONOMIC PLANNING AND GONZALEZ

HOPED HE COULD WORK OUT A SUBJECTIVE ASSESSMENT IN EFFORT
TO BREAK PRESENT IMPASSE GOP/CITRICOS NEGOTIATIONS.

8. BARRELIER TOLD NORMANDEAU HE WAS QUITE FAMILIAR
WITH LOCATION CITRICOS ENTERPRISE IN CHIRIQUI
AND THAT HIS PRELIMINARY ASSESSMENT OF LAND ALONE WAS
ABOUT DOLS 4 MILLION, UP DOLS 3.42 MILLION FROM BARLETTA'S
ASSESSMENT OF DOLS 0.58 MILLION. BARRELIER INDICATED
THAT HE WOULD PROCEED ONCE /GOP/CITRICOS AGREED ON HIS
METHODOLOGY.

9. THOUGH HEARTENED BY BARRELIER'S SUBJECTIVE ASSESS-
MENT, NORMANDEAU STILL SKEPTICAL ABOUT BARLETTA. WHILE
RESPECTING HIM AS BRILLIANT NEGOTIATOR HE FIRMLY BELIEVED
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HIS EGO WOULD NOT PERMIT ANY FLEXIBILITY.

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ACTION ARA-14

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 ICAE-00 L-03

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O 121844Z MAY 78

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TO SECSTATE WASHDC IMMEDIATE 6975

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10. AT WORKING LUNCHEON MAY 11, GONZALEZ PROVIDED NOR-
MANDEAU WITH DOCUMENTATION ON OLD LAND LAW WHICH STIPU-
LATED THAT--FOR EXPROPRIATION PURPOSES--GOP LAND EVALU-
ATION WAS CALCULATED RATHER ON YEARLY TAXES RECEIVED
THAT PERIOD THAN ON PRESENT MARKET VALUE. NORMANDEAU
UNCERTAIN OF IMPACT THIS WOULD HAVE ON CURRENT GOP/
CITRICOS NEGOTIATIONS. HE INTENDED TO PURSUE SUBJECT

WITH CITRICOS PRINCIPALS IN NEW YORK WHO KEEP RECORD OF TAXES PAID GOP.

11. NORMANDEAU THOUGHT GOP/CITRICOS TALKS WERE RAPIDLY APPROACHING TERMINATION. HE OPENED THAT TORRIJOS COULD ORDER BARLETTA TO REACH A SOLUTION IF HE WANTED TO. HE ALSO BELIEVED THAT GOP HAD NO RPT NO MONEY AND THAT IT DEPENDED HEAVILY ON LUDWIG'S GENEROSITY TO A DOLS 2.7 MILLION FINAL SETTLEMENT AND THIS HOPEFULLY IN LONG TERM BONDS. NORMANDEAU STATED LUDWIG WOULD ACCEPT NEITHER THE AMOUNT NOR THE PAYMENT ARRANGEMENT. NORMANDEAU POINTED OUT LUDWIG INVESTED DOLS 20 MILLION IN CITRICOS. HE SAID HE WOULD WRITE TO BARLETTA GIVING CITRICOS' FINAL OFFER FOR SETTLEMENT, AFTER CONFERRING WITH LUDWIG IN NEW YORK. HE MADE IT KNOWN THAT HE AND STANTON WILL PURSUE THEIR "WASHINGTON REMEDIES," I.E. HICKENLOOPER/GONZALEZ AMEND-LIMITED OFFICIAL USE

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MENTS FOR PROMPT SETTLEMENT.

12. COMMENTS: NORMANDEAU WAS URGED TO SEEK BARLETTA'S AGREEING TO HAVE BARRELIER CONDUCT THE APPRAISAL AND ACCEPT HIS FINDINGS. IT SEEMS BARRELIER'S ROLE AS MUTUALLY ACCEPTABLE ARBITRATOR WOULD BE PRACTICAL SOLUTION. HOPEFULLY THE DEPARTMENT (REF L) COULD INFLUENCE BARLETTA IN THIS DIRECTION PRIOR TO HIS DEPARTURE FROM WASHINGTON. JORDEN

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